

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 ACDA-07 SAJ-01 /094 W  
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R 081607Z JUL 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8722

INFO USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

C O N F I D E N T I A L SECTION 1 OF 2 ROME 11024

E.O. 11652: GDS

TAGS: PINT, ECON, IT

SUBJECT: POST-ELECTION POLITICAL-ECONOMIC IMPRESSIONS FROM THE  
NORTH

REF: ROME 4309

SUMMARY. ECMIN VISITED GENOA, MILAN, TURIN AND BOLOGNA  
JUNE 28- JULY 3 TO DISCUSS POST-ELECTION POLITICAL AND ECO-  
NOMIC SITUATION WITH VARIETY OF BUSINESS, LABOR, ACADEMIC  
AND GOVERNMENT LEADERS. OVERALL ATMOSPHERE WAS ONE OF GUARDED  
OPTIMISM. INTERLOCUTORS SAW FAVORABLE SHORT-TERM DEVELOP-  
MENTS IN ITALIAN ECONOMY, INCLUDING MORE POSITIVE ATTITUDE  
ON PART OF LABOR; NEED FOR A REVITALIZED DC TO FORMULATE  
STRONG, COHERENT ECONOMIC PROGRAM; CRITICIZED PSI WHILE  
RECOGNIZING ITS KEY ROLE IN FORMATION OF A NEW GOVERNMENT;  
AND BELIEVED THAT DC WILL HAVE TO WORK OUT SOME ARRANGEMENT  
SHORT OF GOVERNMENT PARTICIPATION WITH PCI TO BE ABLE TO  
FORM GOVERNMENT AND ACHIEVE CONSENSUS ON NECESSARILY TOUGH  
ECONOMIC PROGRAM. END SUMMARY.

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1. ELECTION RESULTS. GENERAL REACTION WAS ONE OF RELIEF

AT WHAT HAD NOT HAPPENED COMBINED WITH VARYING DEGREES OF PLEASURE AT RELATIVE SUCCESS OF DC. MILAN STOCK EXCHANGE PRESIDENT ERMED ELECTION A SUCCESS IN THAT THREE THINGS HAD NOT HAPPENED: PLURALITY OF PCI, MAJORITY FOR LEFT COALITION AND COLLAPSE OF DC. MONDO ECONOMICO EDITOR LESS SANGUINE, DECRYING INCREASED POLARITY BETWEEN DC AND PCI AND DEFEAT OF LAY PARTIES. SOCIALISTS, OF COURSE, HAD DIFFERENT ASSESSMENT: VICE PRESIDENT OF LOMBARDY REGIONAL GIUNTA SAID RESULTS REQUIRED FORMATION OF GOVERNMENT WITH PCI SUPPORT AND CISL REGIONAL SECRETARY CALLED ELECTION A PCI VISTORY.

2. DC RENEWAL. NECESSITY FOR DC TO REVITALIZE PARTY THROUGH NEW FACES AND PROGRAMS WAS A COMMON THEME. MOST INTERLOCUTORS BELIEVED THAT PREFERENCE VOTES, WHICH HAD CLEARLY REGISTERED VOTER DISENCHANTMENT WITH ESTABLISHED PARTY LEADERS, IN THEMSELVES WOULD CAUSE SOME DIMINUTION IN POWER OF THESE LEADERS. HOWEVER, EXTENT OF RESULTANT CHANGES WERE EXPRESSED IN TERMS OF QTE HOPE UNQTE AND QTE NEED UNQTE. TURIN FINANCIAL LEADER SAID THAT BEFORE ELECTION HE SAW NO HOPE FOR CHANGE, WHEREAS NOW HE WAS HOPEFUL. HE LAID RESPONSIBILITY ON DC SECRETARY ZACCAGNINI FOR MAKING CHANGES, WHILE OTHER TURIN BUSINESS LEADER (OUTSPOKEN IN CRITICISM OF DC LEADERSHIP) SAID THAT OUTSIDE PRESSURE FROM US AND OTHER FRIENDLY GOVERNMENTS WOULD BE NECESSARY. PESSIMISTIC NOTES CAME FROM MONDO ECONOMICO EDITOR, WHO DOUBTED THAT DC EITHER RECOGNIZED THAT TIME WAS RUNNING OUT OR THAT PARTY WOULD MAKE OTHER THAN COSMETIC CHANGES, AND BOLOGNA ECONOMIST-SENATOR, WHO DWELLED ON DANGER OF SPLITTING PARTY, WHICH ALREADY UNDER STRESS OVER DEGREE OF POSSIBLE ADJUSTMENT OF RELATIONS WITH PCI. MORE HOPEFUL NOTE WAS STATEMENT BY MILAN STOCK EXCHANGE PRESIDENT, ELECTED TO SENATE JUNE 20-21, THAT HE IS ACTIVELY TRYING TO ORGANIZE GROUP OF NEWLY ELECTED DC MEMBERS OF PARLIAMENT TO PRESS FOR CHANGE WITHIN DC.

3. DC'S ECONOMIC PROGRAM. SEVERAL INTERLOCUTORS DISCUSSED IMPERATIVE FOR DC TO FORMULATE STRONG, COHERENT ECONOMIC PROGRAM. WHILE THERE WAS DIFFERENCE IN EMPHASIS ON CONTENTS, MORE THAN ONE SOURCE REFERRED TO NEED THAT PROGRAM BE RELATIVELY BRIEF, THAT IT CONTAIN ATTAINABLE GOALS AND THAT CONFIDENTIAL

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DC MUST PLACE ITSELF IN POSITION OF BEING ABLE TO LAY BLAME CLEARLY (PRESUMABLY ELSEWHERE) FOR ANY INABILITY TO MAKE GOOD ON ITS PROGRAM. IN THIS CONNECTION, SEVERAL SOURCES NOTED DC'S TOTAL INEPTNESS IN PUBLIC RELATIONS AND EMPHASIZED NEED FOR EARLY REMEDIAL ACTION IN THIS AREA.

4. ECONOMIC SITUATION. VIRTUALLY ALL INTERLOCUTORS AGREED THAT SHORT TERM ECONOMIC SITUATION WAS FAVORABLE, AND MOOD

CONCERNING LONGER TERM WAS BASICALLY OPTIMISTIC. GENOA PUBLIC SECTOR BUSINESSMEN REFERRED TO HEAVY INVESTMENT BY SMALL AND MEDIUM-SIZED FIRMS IN TEXTILE INDUSTRY (TO SOME EXTENT A BELL-WEATHER) IN LABOR-SAVING EQUIPMENT; MILAN STOCK EXCHANGE PRESIDENT LOOKED TO FURTHER IMPROVEMENT IN ECONOMY; PRESIDENT OF MILAN CHAMBER OF COMMERCE NOTED DROP IN NUMBER OF WORKERS IN WAGE SUPPLEMENT FUND (CASSA INTEGRAZIONE) AND INCREASED USE OF ELECTRICITY BY INDUSTRIAL SECTOR; PRESIDENT OF AMERICAN CHAMBER OF COMMERCE IN ITALY REPORTED A MORE RELAXED ATTITUDE OF BUSINESS NOW THAT QTE SCARE UNQTE WAS OVER AND THAT , HE BELIEVED, THERE WAS NO QUESTION OF ELECTIONS FOR ANOTHER FIVE YEARS; RECTOR OF UNIVERSITY IN MILAN AND INDUSTRY FEDERATION HEAD IN TURIN SAW CONTINUING LONG-TERM ADVANTAGES FROM ENTREPRENEURIAL SPIRIT OF SMALL AND MEDIUM BUSINESS. ONLY DISCORDANT NOTE WAS STRUCK BY PSI VICE PRESIDENT OF LOMBARDY REGIONAL GIUNTA, WHO TERMED ECONOMIC SITUATION VERY BAD WITH LITTLE HOPE OF IMPROVEMENT UNTIL POLITICAL SITUATION IS SORTED OUT.VOLPE

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C O N F I D E N T I A L SECTION 2 OF 2 ROME 11024

5 LABOR SITUATION. THERE WAS A GENERAL CONSENSUS THAT LABOR HAS ADOPTED MORE COOPERATIVE POSTURE IN PAST SEVERAL MONTHS. WHILE NONE ASCRIBED THIS ATTITUDE TO A POST-ELECTION POLITICAL TACTIC, SEVERAL BELIEVED THAT LABOR, ALONG WITH ITALY'S

POLITICAL FORCES, HAS ENTERED PERIOD OF ASSESSMENT, DURING WHICH NO MAJOR DEPARTURES OR INITIATIVES ARE TO BE EXPECTED. HOPEFUL SIGN WAS EMPHASIS GIVEN BY THE PSI SECRETARY OF MILAN'S CGIL CITY COMMITTEE TO DISPOSITION ON PARTY OF LABOR TO WORK FOR QTE SOCIAL PACT UNQTE. ON THE PLANT LEVEL, SIGNS ARE FAVORABLE. PRESIDENT OF ALFA ROMEO NOTED IMPROVEMENT IN LABOR SITUATION OVER PAST YEAR OR YEAR AND A HALFN WITH ABSENTEEISM DECREASING OVER THAT PERIOD BY ABOUT 40 PERCENT. HE ALSO REMARKED ON MORE POSITIVE ATTITUDE BY LABOR LEADERSHIP (PARTICULARLY WHEN NOT PLACED IN FORMAL NEGOTIATING SITUATION) IN RECOGNIZING AND SEEKING TO COMBAT PROBLEM OF ABSENTEEISM. HEAD OF INDUSTRIAL RELATIONS AT ASSOLOMBARDA (LOMBARDY CHAPTER OF CONFEDERATION OF ITALIAN INDUSTRIES) SAID HE LOOKS FORWARD TO PERIOD OF RELATIVELY GOOD LABOR RELATIONS AND REPORTED INDICATIONS THAT UNIONS ARE NOT TAKING OPPORTUNITY TO RE-OPEN ISSUES SETTLED IN NATIONAL LABOR CONTRACTS AS NEGOTIATIONS BEGIN AT LOCAL PLANT LEVEL. CONFIDENTIAL

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HEAD OF NATIONAL FEDERATION OF METALLURGICAL AND METAL WORKING INDUSTRIES ASSOCIATIONS IN TURIN LIKewise REPORTED STRENUOUS EFFORTS BY LABOR LEADERSHIP TO KEEP LABOR RANK AND FILE IN LINE DURING THE PLANT-LEVEL NEGOTIATIONS, WHERE RANK AND FILE HAS RAISED ENORMOUS PROBLEMS IN RE-OPENING ISSUES.

6. ROLE OF PSI. WHILE NO NON-SOCIALIST HAD A GOOD WORD TO SAY ABOUT PSI, ALL RECOGNIZED THAT IT HAS KEY ROLE TO PLAY IN FORMATION OF NEW GOVERNMENT. HOPE WAS EXPRESSED THAT METHOD WOULD BE FOUND TO RESURRECT DC-PSI COALITION, BUT, BASED ON INITIAL PSI POST-ELECTION REACTION, NO ONE BELIEVED PATH WOULD BE EASY. BOLOGNA ECONOMIST-SENATOR SAID THAT BASED ON HIS RECENT CONVERSATION WITH ONE PSI LEADER, REVERSAL OF PSI'S ANTI-DC POLICY COULD NOT BE EXPECTED IN NEAR FUTURE. HE CONCLUDED THAT IT WOULD BE NECESSARY TO FIND NEW ARRANGEMENT WHICH WOULD GIVE PSI EXCUSE TO RE-FORM CENTER-LEFT COALITION.

7. ATTITUDE AND ROLE OF PCI. SEVERAL INTERLOCUTORS OPINED THAT IT WOULD BE NECESSARY FOR DC TO WORK OUT SOME SORT OF ARRANGEMENT WITH PCI, SHORT OF PCI PARTICIPATION (AND APPARENTLY SHORT OF PCI OUTSIDE SUPPORT TO GOVERNMENT), IN ORDER TO BE ABLE TO (A) FORM GOVERNMENT AND (B) ACHIEVE MINIMUM LEVEL OF CONSENSUS AMONG ITALY'S SOCIAL FORCES (MEANING PRIMARILY LABOR) FOR A TOUGH ECONOMIC PROGRAM. NONE HAD CLEAR IDEA WHAT FORM SUCH ARRANGEMENT COULD TAKE, ALTHOUGH THEY FOCUSED ON SOME FORM OF CONSULTATIVE RELATIONSHIP. WHILE NO ONE FORESAW RAPID DEVELOPMENT OF ANY SUCH ARRANGEMENT, SOME SOURCES BELIEVED THAT PCI WOULD SEE IT AS BEING IN PARTY'S INTEREST ON GROUNDS THAT (A) PCI OPPOSITION WOULD BE INTERPRETED BY VOTERS AS OBSTRUCTIONISM IN DIFFICULT PERIOD,

(B) ASSISTANCE WITHOUT SHARING THE RESPONSIBILITY WOULD  
ENABLE THE PCI TO ESCAPE SOME OF OPPROBRIUM WHICH WILL  
NECESSARILY RESULT FROM UNPOPULAR ECONOMIC PROGRAM AND (C)  
PCI'S PRIORITY NEED IS TO QTE DIGEST UNQTE REGIONAL AND LOCAL  
ADMINISTRATIONS IT HAS GAINED IN PAST YEAR (ONE TURIN SOURCE  
WHO CLAIMS LONG-TIME ACQUAINTANCE WITH TURIN'S PCI MAYOR  
REPORTED LATTER AS COMPLAINING THAT HIS PARTY CONTAINED JUST  
AS MANY CROOKS AS OTHER PARTIES AND THAT HE COULD TRUST ONLY  
HANDFUL OF HIS CLOSEST ASSOCIATES).

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8. FINAL CAUTIONARY NOTE WAS THAT OF BOLOGNA ACADEMIC-  
SENATOR, WHO FEARED THAT PSDI, AND POSSIBLY PRI, WOULD BE  
WOODED TO JOIN PCI AND PSI IN LEFT COALITION. EVEN IF PCI  
LEADERSHIP DID NOT WELCOME SUCH A DEVELOPMENT, HE BELIEVED,  
IT WOULD BE HARD FOR LEADERSHIP TO RESIST PRESSURES FROM  
WITHIN PARTY IF ENTRY INTO GOVERNMENT BECAME REAL POSSIBILITY.VOLPE

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## Message Attributes

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**Disposition Approved on Date:**  
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